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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके। Separate paging is given to this Part in order that it may be filed as a separate compilation.

RAJYA SABHA

The following Bill was introduced in the Rajya Sabha on the 16th December, 1998:—
BILL NO. XLIV of 1998

A Bill further to amend the Patents Act, 1970.

BE it enacted by Parliament in the Forty-ninth Year of the Republic of India as follows:—

- 1. (1) This Act may be called the Patents (Amendment) Act, 1998.
- (2) It shall be deemed to have come into force on the 1st day of January, 1995.

Short title and commencement.

39 of 1970.

2. Section 5 of the Patents Act, 1970 (hereinafter referred to as the principal Act) shall be renumbered as sub-section (1) thereof and after sub-section (1) as so renumbered, the following sub-section shall be inserted, namely:—

Amendment of section 5.

"(2) Notwithstanding anything contained in sub-section (I), a claim for patent of an invention for a substance itself intended for use, or capable of being used, as medicine or drug, except the medicine or drug specified under sub-clause (ν) of clause (I) of sub-section (I) of section 2, may be made and shall be dealt, without prejudice to the other provisions of this Act, in the manner provided in Chapter IVA.".

Insertion of new Chapter IVA.

3. After Chapter IV of the principal Act, the following Chapter shall be inserted, namely:—

"CHAPTER IVA

Exclusive Marketing Rights

Application for grant of exclusive rights.

- 24A. (1) Notwithstanding anything contained in sub-section (1) of section 12, the Controller shall not, under that sub-section, refer an application in respect of a claim for a patent covered under sub-section (2) of section 5 to an examiner for making a report till the 31st day of December, 2004 and shall, where an application for grant of exclusive right to sell or distribute the article or substance in India has been made in the prescribed form and manner and on payment of prescribed fee, refer the application for patent, to an examiner for making a report to him as to whether the invention is not an invention within the meaning of this Act in terms of section 3 or the invention is an invention for which no patent can be granted in terms of section 4.
- (2) Where the Controller, on receipt of a report under sub-section (1) and after such other investigation as he may deem necessary, is satisfied that the invention is not an invention within the meaning of this Act in terms of section 3 or the invention is an invention for which no patent can be granted in terms of section 4, he shall reject the application for exclusive right to sell or distribute the article or substance.
- (3) In a case where an application for exclusive right to sell or distribute an article or a substance is not rejected by the Controller on receipt of a report under sub-section (1) and after such other investigation, if any, made by him, he may proceed to grant exclusive right to sell or distribute the article or substance in the manner provided in section 24B.
- 24B. (1) Where a claim for patent covered under sub-section (2) of section 5 has been made and the applicant has,—
 - (a) where an invention has been made whether in India or in a country other than India and before filing such a claim, filed an application for the same invention claiming identical article or substance in a convention country on or after the 1st day of January, 1995 and the patent and the approval to sell or distribute the article or substance on the basis of appropriate tests conducted on or after the 1st day of January, 1995, in that country has been granted on or after the date of making a claim for patent covered under sub-section (2) of section 5; or
 - (b) where an invention has been made in India and before filing such a claim, made a claim for patent on or after the 1st day of January, 1995 for method or process of manufacture for that invention relating to identical article or substance and has been granted in India the patent therefor on or after the date of making a claim for patent covered under sub-section (2) of section 5,

and has received the approval to sell or distribute the article or substance from the authority specified in this behalf by the Central Government, then, he shall have the exclusive right by himself, his agents or licensees to sell or distribute in India the article or the substance on and from the date of approval granted by the Controller in this behalf till a period of five years or till the date of grant of patent or the date of rejection of application for the grant of patent, whichever is earlier.

(2) Where, the specifications of an invention relatable to an article or a substance covered under sub-section (2) of section 5 have been recorded in a document or the invention has been tried or used, or, the article or the substance has been sold, by a person, before a claim for a patent of that invention is made in India or in a convention country, then, the sale or distribution of the article or substance by such person, after

Grant of exclusive rights.

the claim referred to above is made, shall not be deemed to be an infringement of exclusive right to sell or distribute under sub-section (1):

Provided that nothing in this sub-section shall apply in a case where a person makes or uses an article or a substance with a view to sell or distribute the same, the details of invention relatable thereto were given by a person who was holding an exclusive right to sell or distribute the article or substance.

24C. The provisions in relation to compulsory licences in Chapter XVI shall, subject to the necessary modifications, apply in relation to an exclusive right to sell or distribute under section 24B as they apply to, and in relation to, a right under a patent to sell or distribute and for that purpose the following modifications shall be deemed to have been made to the provisions of that Chapter and all their grammatical variations and cognate expressions shall be construed accordingly, namely:—

Cont. licences.

- (a) throughout Chapter XVI,—
- (i) working of the invention shall be deemed to be selling or distributing of the article or substance;
- (ii) references to "patents" shall be deemed to be references to "right to sell or distribute";
- (iii) references to "patented article" shall be deemed to be references to "an article for which exclusive right to sell or distribute has been granted";
- (b) three years from the date of sealing of a patent in section 84 shall be deemed to be two years from the date of approval by the Controller for exclusive right to sell or distribute under section 24B;
- (c) the time which has elapsed since the sealing of a patent under section 85 shall be deemed to be the time which has elapsed since the approval by the Controller for exclusive right to sell or distribute under section 24B;
 - (d) clauses (d) and (e) of section 90 shall be omitted.
- 24D. (1) Without prejudice to the provisions of any other law for the time being in force, where, at any time after an exclusive right to sell or distribute any article or substance has been granted under sub-section (1) of section 24B, the Central Government is satisfied that it is necessary or expedient in public interest to sell or distribute the article or substance by a person other than a person to whom exclusive right has been granted under sub-section (1) of section 24B, it may, by itself or through any person authorised in writing by it in this behalf, sell or distribute the article or substance.

Special provision for selling or distribution.

- (2) The Central Government may, by notification in the Official Gazette and at any time after an exclusive right to sell or distribute an article or a substance has been granted, direct, in the public interest and for reasons to be stated, that the said article or substance shall be sold at a price determined by an authority specified by it in this behalf.
- 24E. All suits relating to infringement of a right under section 24B shall be dealt with in the same manner as if they were suits concerning infringement of patents under Chapter XVIII.

Suits relating to infringements.

24F. The examination and investigations required under this Chapter shall not be deemed in any way to warrant the validity of any grant of exclusive right to sell or distribute, and no liability shall be incurred by the Central Government or any officer thereof by reason of, or in connection with, any such examination or investigation or any report or other proceedings consequent thereon.".

Central
Government
and its officers
not to be liable.

4. Section 39 of the principal Act shall be omitted.

Omission of section 39.

Amendment of section 40. 5. In section 40 of the principal Act, the words and figures "or makes or causes to be made an application for the grant of a patent outside India in contravention of sect on 39" shall be omitted.

Amendment of section 64.

6. In section 64 of the principal Act, in sub-section (1), in clause (n), the work s and figures "or made or caused to be made an application for the grant of a patent outside India in contravention of section 39" shall be omitted.

Amendment of section 118.

7. In section 118 of the principal Act, the words and figures "or makes or causes to be made an application for the grant of a patent in contravention of section 39" shall be omitted.

Insertion of new section 157A. 8. After section 157 of the principal Act, the following section shall be inserted, namely:—

Protection of security of India.

- '157A. Notwithstanding anything contained in this Act, the Central Government shall
 - (a) not disclose any information relating to any patentable invention or any application relating to the grant of patent under this Act, which it considers prejudicial to the interest of security of India;
 - (b) take action including the revocation of any patent which it considers necessary in the interest of security of India:

Provided that the Central Government shall, before taking any action under this clause, issue a notification in the Official Gazette declaring its intention to take such action.

Explanation. — For the purposes of this section, the expression "security of India" means any action necessary for the security of India which —

- (1) relates to fissionable materials or the materials from which they are derived; or
- (ii) relates to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment; or
- (iii) is taken in time of war or other emergency in matter of international relations.'.

Savines.

9. (1) Anything done or any action taken under the principal Act as amended by the Patents (Amendment) Ordinance, 1994, which ceased to operate, shall be deemed to have been done or taken under the corresponding provisions of the principal Act as amended by this Act.

Ord. 13 of 1994.

(2) All applications made in respect of claims for patent of invention specified under sub-section (2) of section 5 of the principal Act, from the date of cesser of the said Ordinance till the date on which this Act receives the assent of the President (both days inclusive) shall be deemed to have been validly made as if the provisions of the principal Act, as amended by this Act, had been in force at all material times.

STATEMENT OF OBJECTS AND REASONS

India ratified the Agreement establishing the World Trade Organisation (WTO). This Agreement, *inter alia*, contains an Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The Agreement came into force w.e.f. 1-1-1995.

- 2. The TRIPs Agreement, inter alia, prescribes the minimum standards to be adopted by the member countries in respect of 8 areas of intellectual property. Though, India has a transition period of 5 years (w.e.f. 1-1-1995) under Article 65 to apply the provisions of the Agreement and an additional period of 5 years for extending product patent protection to areas of technology not protected so far, certain obligations were required to be fulfilled w.e.f. 1-1-1995 as explained in the succeeding paragraphs.
- 3. Notwithstanding the transition periods as mentioned above, in terms of Articles 70.8 and 70.9 of the TRIPs Agreement, member countries which do not provide for product patents in the areas of pharmaceuticals and agricultural chemicals, were required to provide with effect from the coming into force of the WTO Agreement, i.e., from 1st January, 1995, a means to receive product patent applications for pharmaceuticals and agricultural chemicals, and on fulfilment of certain conditions, grant exclusive marketing rights for a period of five years or until the patent is granted or rejected whichever is shorter.
- 4. As the Patents Act, 1970 does not provide for grant of product patents, *inter alia*, in the fields of agricultural chemicals and pharmaceuticals and also for grant of Exclusive Marketing Rights (EMRs), the provisions of Articles 70.8 and 70.9 were applicable to India.
- 5. These obligations were initially fulfilled by issuing an Ordinance on 31st December, 1994, namely, the Patents (Amendment) Ordinance, 1994.
- 6. Subsequently, the Patents (Amendment) Bill, 1995 was introduced in the Lok Sabha in March, 1995. The Bill was passed by the Lok Sabha and then introduced in the Rajya Sabha where it was referred to a Select Committee of the House. As the Select Committee did not submit its report before the dissolution of the 10th Lok Sabha, the Bill lapsed.
- 7. While taking steps to amend the Patents Act, 1970 to fulfil our obligations under the Agreement, measures have been incorporated in the amendments to ensure that Government's ability to intervene in the public interest is preserved. Further, restrictions on inventions made in India are also proposed to be removed. Certain safeguards are proposed to be provided in the form of public non-commercial use, price fixation and compulsory licensing. The Bill also contains some measures in the interest of National Security. It is also proposed to provide validation to applications filed after 26 March, 1995.
- 8. The United States of America raised a dispute against India at the WTO alleging non-fulfilment of India's obligations in this regard. A Panel set up by the Dispute Settlement Body (DSB) of WTO examined the allegations made by USA and submissions made by India and ruled that India had not complied with its obligations. On an appeal made by India, the matter was considered by the Appellate Body of the WTO which also recommended that India take the necessary steps to comply with its obligations. It was subsequently determined that this be done by 19 April, 1999. Failure to comply with these obligations within the stipulated period may entail action against India in terms of the Dispute Settlement understanding of the WTO Agreement.
 - The Bill is intended to fulfil these obligations.

FINANCIAL MEMORANDUM

The Bill seeks to add a sub-section namely, sub-section (2) in the existing section 5, insertion of a new Chapter, namely, Chapter IVA, deletion of section 39, amendments in sections 40 and 118, insertion of security related provisions to the Patents Act, 1970. The insertion of a new sub-section in section 5 and insertion of a new Chapter in the Patents Act, 1970 is expected to result in receipt of applications for product patents in agricultural chemical and pharmaceuticals and for grant of exclusive marketing rights. This would mean increase in the work load of Patent Office. Appropriate fee will be charged for these activities.

However, the Government is seized of the need of restructuring and modernising the patent administration in the country and has already sanctioned a project for the same.

The activities envisaged in the Bill, therefore, will not entail any additional expenditure from the Consolidated Fund of India.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Sub-section(1) of section 24A proposed to be inserted by clause 3 of the Bill empowers the Central Government to prescribe the form and manner of making applications and payment of fees in connection with applications for exclusive marketing rights. These matters relate to matters of procedure and administrative details and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

R. C. TRIPATHI, Secretary-General.